

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1988, as amended.

Unit Name	MENDON VILLAGE	County	ST. JOSEPH	Type	VILLAGE	MuniCode	
Opinion Date-Use Calendar	Jul 7, 2008	Audit Submitted-Use Calendar	Aug 13, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 466,820.00
General Fund Expenditure:	\$ 448,888.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 388,306.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	MICHAEL	Last Name	WILSON	Ten Digit License Number	1101017570
CPA Street Address	127 W. CHICAGO RD.	City	STURGIS	State MI	Zip Code 49091
CPA Firm Name	NORMAN & PAULSEN, P.C.	Unit's Street Address	206 W. MAIN	City	MENDON
				LU Zip	49072

VILLAGE OF MENDON, MICHIGAN
ST. JOSEPH COUNTY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

March 31, 2008

VILLAGE OF MENDON

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Norman & Paulsen, P.C.

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Mendon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Mendon, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Mendon management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Mendon, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2008, on our consideration of the Village of Mendon internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Norman & Paulson, P.C.

July 7, 2008

VILLAGE OF MENDON

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VILLAGE OF MENDON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of Mendon financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights

The Village's overall financial position decreased by \$35,666 during the fiscal year ended March 31, 2008, which represents 0.7 percent of the net asset position at the beginning of the year. Included in the Village's total net assets of \$5,208,970 are the Sewer Disposal System Fund net assets of \$3,743,304 and the Water Supply System Fund net assets of \$180,999. The Sewage Disposal System's net assets decreased by \$59,054 and the Water Supply System's net assets increased by \$414.

The Village's Governmental Funds reflected a total fund balance at March 31, 2008 of \$477,284, which was a decrease of \$39,422 from the prior year end. Included in this decrease was the General Fund which reflected an increase of \$17,932; the Vehicle Sinking Fund which reflected a decrease of \$9,330 and the Major Street and Local Street Funds which reflected a combined decrease of \$48,024.

The total Governmental Fund expenditures for the year ended March 31, 2008, amounted to \$603,404, of which \$243,677 (40 percent) was for public works; \$133,541 (22 percent) was for public safety; \$139,639 (23 percent) was for general government; and \$86,547 was for capital outlay.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF MENDON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)					
	Governmental Funds		Enterprise Funds		
	2008	2007	2008	2007	
Assets	\$ 677	\$ 532	\$ 5,833	\$ 6,002	
Liabilities	200	15	1,909	2,019	
Fund Equity					
Invested in capital assets, net of related debt	-	-	2,041	2,071	
Retained Earnings					
Restricted	-	-	318	327	
Unreserved	-	-	1,565	1,585	
Fund					
Reserved	55	60	-	-	
Unreserved	422	457	-	-	
Total Fund Equity	<u>\$ 477</u>	<u>\$ 517</u>	<u>\$ 3,924</u>	<u>\$ 3,983</u>	

VILLAGE OF MENDON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 677	\$ 527	\$ 1,886	\$ 1,928
Capital assets	<u>807</u>	<u>745</u>	<u>3,947</u>	<u>4,074</u>
Total assets	1,484	1,272	5,833	6,002
Long-term debt outstanding	-	-	1,906	2,003
Other liabilities	<u>200</u>	<u>10</u>	<u>3</u>	<u>16</u>
Total liabilities	200	10	1,909	2,019
Net assets				
Invested in capital assets, net of related debt	807	745	2,041	2,071
Restricted	-	-	318	327
Unrestricted	<u>477</u>	<u>517</u>	<u>1,565</u>	<u>1,585</u>
Total net assets	<u>\$ 1,284</u>	<u>\$ 1,262</u>	<u>\$ 3,924</u>	<u>\$ 3,983</u>

VILLAGE OF MENDON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2008	2007	2008	2007
Revenue				
Taxes	\$ 171	\$ 142	\$ -	\$ -
Licenses and permits	11	8	-	-
Federal grants	-	-	-	-
State shared revenue	159	158	20	9
Charges for services	32	34	261	261
Fines and forfeitures	3	3	-	-
Rents	88	81	-	-
Interest	25	27	107	102
Sale of assets	48	8	-	-
Other	27	18	-	-
Total revenue	564	479	388	372
Program expenses				
General government	136	143	-	-
Public safety	134	128	-	-
Public works	244	232	-	-
Recreation	3	20	-	-
Capital outlay	86	23	-	-
Sewer system	-	-	64	67
Water system	-	-	136	129
Depreciation	-	-	152	150
Interest expense	-	-	95	100
Total expenses	603	546	447	446
Excess (deficiency)	\$ (39)	\$ (67)	\$ (59)	\$ (74)

VILLAGE OF MENDON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues				
Program revenues				
Charges for service	\$ 41	\$ 41	\$ 261	\$ 261
Operating grants and contributions	82	81	20	9
Capital grants and contributions	-	-	-	-
General revenues				
Property taxes	171	142	-	-
State shared revenues	77	78	-	-
Unrestricted investment earnings	25	27	107	102
Miscellaneous	<u>129</u>	<u>81</u>	<u>-</u>	<u>-</u>
Total revenues	525	450	388	372
Expenses				
General government	144	152	-	-
Public safety	140	135	-	-
Public works	209	232	-	-
Recreation	9	25	-	-
Sewer system	-	-	284	290
Water system	<u>-</u>	<u>-</u>	<u>163</u>	<u>156</u>
Total expenses	<u>502</u>	<u>544</u>	<u>447</u>	<u>446</u>
Change in net assets	<u>\$ 23</u>	<u>\$ (94)</u>	<u>\$ (59)</u>	<u>\$ (74)</u>

The Village's Funds

Our analysis of the Village's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. Major funds for the fiscal year ended March 31, 2008 include the General Fund and the Major Street and Local Street Funds.

The General fund pays for most of the Village's governmental services. The primary services include police protection services and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

VILLAGE OF MENDON

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the Village budgeted an increase of \$39,420 in the original budget and a decrease of \$35,080 in the amended budget. Actual operating results ended up as an increase of \$17,932.

The actual results ended the fiscal year within \$53,012 of the amended budget.

Capital Assets and Debt Administration

During the year ended March 31, 2008, the total capital assets of the Village increased by \$172,051 which was for roads, buildings, vehicles, and equipment.

During the year ended March 31, 2008, the total debt obligations of the Village decreased by the scheduled principal payment of \$97,000. Total debt obligations at March 31, 2008 amounted to \$1,906,000.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF MENDON

**STATEMENT OF NET ASSETS
MARCH 31, 2008**

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business</u>		<u>Component</u>
	<u>Activities</u>	<u>Type</u>	<u>Total</u>	<u>Units</u>
		<u>Activities</u>		
ASSETS				
Cash and investments	\$ 600,449	\$ 985,843	\$ 1,586,292	\$ 625,600
Receivables, net	61,778	108,667	170,445	86,034
Receivables, long-term portion	-	789,590	789,590	-
Internal balances	-	-	-	-
Due from primary government	-	-	-	162,369
Prepaid and other assets	11,476	1,240	12,716	-
Capital assets - net	<u>807,383</u>	<u>3,947,432</u>	<u>4,754,815</u>	<u>1,210,446</u>
Total assets	1,481,086	5,832,772	7,313,858	2,084,449
LIABILITIES				
Accounts payable	32,050	1,969	34,019	76,433
Accrued and other liabilities	2,000	500	2,500	-
Due to component unit	162,369	-	162,369	-
Debt obligations:				
Due within one year	-	97,000	97,000	123,788
Due in more than one year	<u>-</u>	<u>1,809,000</u>	<u>1,809,000</u>	<u>97,983</u>
Total liabilities	<u>196,419</u>	<u>1,908,469</u>	<u>2,104,888</u>	<u>298,204</u>
NET ASSETS				
Invested in capital assets, net of related debt	807,383	2,041,432	2,848,815	988,675
Restricted:				
Debt service	-	241,185	241,185	-
Other purposes	-	76,364	76,364	-
Unrestricted	<u>477,284</u>	<u>1,565,322</u>	<u>2,042,606</u>	<u>797,570</u>
Total net assets	<u>\$ 1,284,667</u>	<u>\$ 3,924,303</u>	<u>\$ 5,208,970</u>	<u>\$ 1,786,245</u>

See accompanying notes to the financial statements

VILLAGE OF MENDON

STATEMENT OF ACTIVITIES MARCH 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 144,284	\$ 25,747	\$ -	\$ -
Public safety	139,567	9,232	942	-
Public works	209,121	6,227	81,309	-
Recreation	<u>9,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	502,058	41,206	82,251	-
Business-type activities:				
Sanitary sewer	283,544	119,533	-	-
Water	<u>163,121</u>	<u>141,697</u>	<u>19,711</u>	<u>-</u>
Total business-type activities	<u>446,665</u>	<u>261,230</u>	<u>19,711</u>	<u>-</u>
Total primary government	<u>\$ 948,723</u>	<u>\$ 302,436</u>	<u>\$ 101,962</u>	<u>\$ -</u>
Component units				
Downtown Development Authority	<u>\$ 82,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,225</u>
General revenues:				
Property taxes				
State shared revenues				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR				
NET ASSETS - END OF YEAR				

See accompanying notes to the financial statements

Primary Government

Governmental Activities	Business Type Activities	Total	Component Units
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(378,601)	-	(378,601)	-
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-	(165,724)	(165,724)	-
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(378,601)	(165,724)	(544,325) \$	—
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401,575	107,084	508,659	397,844
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1,261,693 3,982,943 5,244,636 1,145,377

\$ 1,284,667 \$ 3,924,303 \$ 5,208,970 \$ 1,786,245

FUND FINANCIAL STATEMENTS

VILLAGE OF MENDON

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2008

	General Fund	Major Street Fund	Local Street Fund	Vehicle Sinking Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 479,606	\$ 117,322	\$ 542	\$ 2,979	\$ 600,449
Accounts receivable	10,894	-	-	-	10,894
Due from other governmental units	36,982	10,392	3,510	-	50,884
Due from other funds	227	1,391	2,087	-	3,705
Prepaid expenditures	<u>10,354</u>	<u>561</u>	<u>561</u>	<u>-</u>	<u>11,476</u>
Total assets	<u>\$ 538,063</u>	<u>\$ 129,666</u>	<u>\$ 6,700</u>	<u>\$ 2,979</u>	<u>\$ 677,408</u>

LIABILITIES AND FUND BALANCE

LIABILITIES					
Accounts payable	\$ 31,910	\$ 140	\$ -	\$ -	\$ 32,050
Accrued liabilities	2,000	-	-	-	2,000
Due to other funds	3,478	101	126	-	3,705
Due to component unit	<u>162,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,369</u>
Total liabilities	199,757	241	126	-	200,124
FUND BALANCE					
Reserved for road maintenance	54,972	-	-	-	54,972
Unreserved, undesignated	<u>283,334</u>	<u>129,425</u>	<u>6,574</u>	<u>2,979</u>	<u>422,312</u>
Total fund balance	<u>338,306</u>	<u>129,425</u>	<u>6,574</u>	<u>2,979</u>	<u>477,284</u>
Total liabilities and fund balance	<u>\$ 538,063</u>	<u>\$ 129,666</u>	<u>\$ 6,700</u>	<u>\$ 2,979</u>	<u>\$ 677,408</u>

See accompanying notes to financial statements

VILLAGE OF MENDON

GOVERNMENTAL FUNDS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2008

Total governmental fund balances \$ 477,284

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$ 1,277,488	
Less accumulated depreciation	<u>(470,105)</u>	<u>807,383</u>

Net assets of governmental activities \$ 1,284,667

See accompanying notes to financial statements

VILLAGE OF MENDON

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2008**

	General Fund	Major Street Fund	Local Street Fund	Vehicle Sinking Fund	Total Governmental Funds
REVENUE					
Taxes	\$ 170,930	\$ -	\$ -	\$ -	\$ 170,930
Licenses and permits	11,021	-	-	-	11,021
State grants	78,186	59,327	21,982	-	159,495
Charges for services	31,973	-	-	-	31,973
Fines and forfeitures	3,468	-	-	-	3,468
Rents	87,623	-	-	-	87,623
Interest	17,461	7,244	267	357	25,329
Sale of assets	39,588	-	-	7,985	47,573
Other	26,570	-	-	-	26,570
Total revenue	466,820	66,571	22,249	8,342	563,982
EXPENDITURES					
Legislative	15,084	-	-	-	15,084
General government	121,120	-	-	-	121,120
Public safety	133,541	-	-	-	133,541
Public works	106,833	101,916	34,928	-	243,677
Recreation	3,435	-	-	-	3,435
Capital outlay	53,875	-	-	32,672	86,547
Total expenditures	433,888	101,916	34,928	32,672	603,404
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	32,932	(35,345)	(12,679)	(24,330)	(39,422)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	10,000	15,000	25,000
Transfers to other funds	(15,000)	(10,000)	-	-	(25,000)
Total other financing sources (uses)	(15,000)	(10,000)	10,000	15,000	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	17,932	(45,345)	(2,679)	(9,330)	(39,422)
FUND BALANCE - BEGINNING OF YEAR	320,374	174,770	9,253	12,309	516,706
FUND BALANCE - END OF YEAR	<u>\$ 338,306</u>	<u>\$ 129,425</u>	<u>\$ 6,574</u>	<u>\$ 2,979</u>	<u>\$ 477,284</u>

See accompanying notes to financial statements

VILLAGE OF MENDON

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

Net change in fund balances - total governmental funds \$ (39,422)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Proceeds from sale of capital assets	(38,950)
Expenditures for capital assets	147,027
Depreciation expense	<u>(45,681)</u>

Change in net assets of governmental activities \$ 22,974

See accompanying notes to financial statements

VILLAGE OF MENDON

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2008

	Sewage Disposal System Fund	Water Supply System Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 925,307	\$ 60,536	\$ 985,843
Special assessments	75,150	-	75,150
Accounts receivable	12,761	12,106	24,867
Interest receivable	8,650	-	8,650
Prepaid and other assets	<u>620</u>	<u>620</u>	<u>1,240</u>
Total current assets	1,022,488	73,262	1,095,750
NONCURRENT ASSETS			
Special assessments	789,590	-	789,590
Capital assets, net of depreciation	<u>3,796,656</u>	<u>150,776</u>	<u>3,947,432</u>
Total noncurrent assets	<u>4,586,246</u>	<u>150,776</u>	<u>4,737,022</u>
Total assets	5,608,734	224,038	5,832,772
LIABILITIES			
CURRENT LIABILITIES			
Current portion of long-term debt	90,000	7,000	97,000
Accounts payable	430	1,539	1,969
Accrued liabilities	<u>-</u>	<u>500</u>	<u>500</u>
Total current liabilities	90,430	9,039	99,469
NONCURRENT LIABILITIES			
Long-term debt, net of current portion	<u>1,775,000</u>	<u>34,000</u>	<u>1,809,000</u>
Total liabilities	<u>1,865,430</u>	<u>43,039</u>	<u>1,908,469</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,931,656	109,776	2,041,432
Restricted for debt service	230,135	11,050	241,185
Restricted for maintenance	76,364	-	76,364
Unrestricted	<u>1,505,149</u>	<u>60,173</u>	<u>1,565,322</u>
Total net assets	<u>\$3,743,304</u>	<u>\$ 180,999</u>	<u>\$ 3,924,303</u>

See accompanying notes to financial statements

VILLAGE OF MENDON

PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2008

	Sewer Fund	Water Fund	Totals
OPERATING REVENUE			
Charges for services	\$ 81,806	\$ 136,322	\$ 218,128
Debt retirement	34,996	-	34,996
Rental	500	2,596	3,096
Wellhead grant	-	19,711	19,711
Other	<u>2,231</u>	<u>2,779</u>	<u>5,010</u>
Total operating revenue	119,533	161,408	280,941
OPERATING EXPENSES			
Salaries	11,586	16,750	28,336
Fringe benefits	8,726	9,737	18,463
Operating supplies	1,126	5,267	6,393
Administration	9,021	11,258	20,279
Professional services	1,273	910	2,183
Repairs and maintenance	4,250	32,072	36,322
Insurance	3,000	3,000	6,000
Utilities	7,632	15,967	23,599
Equipment rental	15,408	39,323	54,731
Miscellaneous	1,610	1,537	3,147
Depreciation	<u>126,800</u>	<u>25,000</u>	<u>151,800</u>
Total operating expenses	<u>190,432</u>	<u>160,821</u>	<u>351,253</u>
OPERATING INCOME (LOSS)	(70,899)	587	(70,312)
NONOPERATING REVENUE (EXPENSE)			
Interest income	104,957	2,127	107,084
Interest expense	<u>(93,112)</u>	<u>(2,300)</u>	<u>(95,412)</u>
Net nonoperating revenue (expense)	<u>11,845</u>	<u>(173)</u>	<u>11,672</u>
CHANGE IN NET ASSETS	(59,054)	414	(58,640)
NET ASSETS - BEGINNING OF YEAR	<u>3,802,358</u>	<u>180,585</u>	<u>3,982,943</u>
NET ASSETS - END OF YEAR	<u>\$3,743,304</u>	<u>\$ 180,999</u>	<u>\$3,924,303</u>

See accompanying notes to financial statements

VILLAGE OF MENDON

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2008

	Sewage Disposal System Fund	Water Supply System Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 118,933	\$ 143,472	\$ 262,405
Receipts from Wellhead grant	-	28,874	28,874
Payments to suppliers	(34,907)	(111,420)	(146,327)
Payments to employees	(11,586)	(16,750)	(28,336)
Benefit payments	(8,822)	(9,833)	(18,655)
Payments for interfund services used	<u>(9,021)</u>	<u>(11,258)</u>	<u>(20,279)</u>
Net cash provided (used) by operating activities	54,597	23,085	77,682
Cash flows from capital and related financing activities			
Receipts from special assessments	84,314	-	84,314
Principal paid on debt	(90,000)	(7,000)	(97,000)
Interest paid on debt	(93,112)	(2,400)	(95,512)
Acquisition of capital assets	<u>(25,025)</u>	<u>-</u>	<u>(25,025)</u>
Net cash provided (used) by capital and related financing activities	(123,823)	(9,400)	(133,223)
Cash flows from investing activities			
Interest received	<u>96,307</u>	<u>2,127</u>	<u>98,434</u>
Net increase (decrease) in cash	27,081	15,812	42,893
Cash and Cash Equivalents - Beginning of Year	<u>898,226</u>	<u>44,724</u>	<u>942,950</u>
Cash and Cash Equivalents - End of Year	<u>\$ 925,307</u>	<u>\$ 60,536</u>	<u>\$ 985,843</u>

See accompanying notes to financial statements

VILLAGE OF MENDON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MARCH 31, 2008

	Sewage Disposal System Fund	Water Supply System Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (70,899)	\$ 587	\$ (70,312)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	126,800	25,000	151,800
(Increase) decrease in:			
Accounts receivable	(600)	1,775	1,175
Grant receivable	-	9,163	9,163
Prepaid expenses	(96)	(96)	(192)
Due from other funds	-	-	-
Increase (decrease) in:			
Accounts payable	(608)	(13,344)	(13,952)
Net cash provided by (used for) operating activities	<u>\$ 54,597</u>	<u>\$ 23,085</u>	<u>\$ 77,682</u>

See accompanying notes to financial statements

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Mendon conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to villages. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the Village are discussed below.

Reporting Entity

The Village of Mendon operates a Council-President form of government and provides the following services as authorized by its charter: public safety (police, fire and inspections), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Village (the primary government) and its component units, entities for which the Village is considered to be financially accountable.

Discretely Presented Component Units - The component units' columns in the government-wide financial statements include the financial data of the Village's other component units. These units are reported in a separate column to emphasize that they are legally separate from the Village.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. Members of the DDA are appointed by the Village Council and the Authority is fiscally dependent on the Village since the Village Council approves the DDA budget and must approve any debt issuance.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Village as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Village and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Village.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- * Any fund the Village elects to include as a major fund.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Village reports the following major funds:

General Fund - The general fund is the general operating fund of the Village. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds

Major Street Fund - To account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of major streets within the Village.

Local Street Fund - To account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of local streets within the Village.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Vehicle Sinking Fund - To account for funds set aside for vehicle replacement costs.

Enterprise Funds

Sewage Disposal System Fund - To account for user charges and for operating expenses and debt service of the Village's sewer system.

Water Supply System Fund - To account for user charges and for operating expenses and debt service of the Village's water system.

The following is a description of two major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Village:

General Fund - The general fund is the general operating fund of the Village. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The water and sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the Village:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about February 1, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Village Manager is authorized to transfer budgeted amounts within departments.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund and special revenue funds lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Village Council.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government or federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Depreciable <u>Life-Years</u>
Land improvements	15-40
Streets	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes - The Village's property taxes are levied as an enforceable lien on property as of December 1. Village taxes are levied on the following July 1 and are payable without penalty through September 16. Real property taxes not collected as of March 1 are turned over to St. Joseph County for collection. The County advances the Village 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village's treasurer. The Village's property taxes levied on July 1 provide the revenue for the current fiscal year.

The assessed and state equalized taxable value of real and personal property located in the Village totaled \$38,613,039. The Village's general operating levy for the year was based on a millage rate of 9.1643.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - It is the Village's policy to not pay for unused vacation or sick days and not to allow accumulation of unpaid days. Therefore, no current or long-term liability has been accrued.

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 2 - CASH AND INVESTMENTS

The Village uses financial institutions for investments purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking, savings, certificates of deposit and investment pool funds.

At March 31, 2008, the carrying amount of the Village's deposits was \$1,586,292 and the bank balance was \$1,554,788. The differences between the balances are the result of checks issued by the Village but not yet presented for payment. The risk exposure of all cash and cash equivalents, at March 31, 2008, is as follows:

Insured	\$ 264,553
Uninsured	<u>97,336</u>
Total cash and cash equivalents	<u>\$ 361,889</u>

The total cash presented on the balance sheet at March 31, 2008, includes \$100 of imprest cash.

The Village's remaining investments at March 31, 2008, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$1,192,899, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

The carrying amount of deposits for Downtown Development Authority, a discretely presented component unit, was \$625,600 and the bank balance was \$515,351. Of the bank balance \$11,082 is covered by federal depository insurance, and \$-0- is uninsured and uncollateralized.

The remaining investments at March 31, 2008, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$504,269, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 82 percent due from other governmental units and 18 percent accounts receivable. Business-type activities receivables are 98 percent special assessments, 3 percent due from customers and 1 percent interest receivable.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

Receivables in the component unit include \$17,387 due from Mendon Township for captured taxes and \$68,647 due from the State of Michigan (Federal) Community Development Block Grant.

Accounts receivable in the component unit are reported net of an allowance for uncollectible accounts of -0-.

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables consisted of the following at March 31, 2008:

<u>Fund/ Component Unit</u>	<u>Receivable</u>	<u>Fund/ Component Unit</u>	<u>Payable</u>
<u>Due from/to other funds</u>			
General		Major streets	\$ 101
		Local streets	<u>126</u>
	<u>\$ 227</u>		<u>227</u>
Major streets	<u>1,391</u>	General	<u>1,391</u>
Local streets	<u>2,087</u>	General	<u>2,087</u>
Totals	<u><u>\$ 3,705</u></u>		<u><u>\$ 3,705</u></u>

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

The Due From/To Other Fund balances resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers consisted of the following for the year ended March 31, 2008:

<u>Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>Transfers In</u>
General	\$ 15,000	Local street	\$ -
	<u>15,000</u>	Vehicle sinking	<u>15,000</u>
			<u>15,000</u>
Major street	<u>10,000</u>	Local street	<u>10,000</u>
Totals	<u>\$ 25,000</u>		<u>\$ 25,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) the transfer from the major street fund to the local street fund represents the sharing of gas and weight tax revenues; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 344,875	\$ -	\$ 38,950	\$ 305,925
Capital assets, being depreciated:				
Infrastructure	62,978	60,480	-	123,458
Land improvements	192,416	-	-	192,416
Buildings and improvements	369,282	33,250	-	402,532
Machinery and equipment	47,523	32,118	6,850	72,791
Vehicles	176,677	21,179	28,070	169,786
Office furniture and equipment	<u>10,580</u>	<u>-</u>	<u>-</u>	<u>10,580</u>
Subtotal	859,456	147,027	34,920	971,563
Accumulated depreciation				
Infrastructure	8,120	8,230	-	16,350
Land improvements	125,070	9,620	-	134,690
Buildings and improvements	193,876	10,063	-	203,939
Machinery and equipment	32,352	6,066	6,850	31,568
Vehicles	91,456	10,642	28,070	74,028
Office furniture and equipment	<u>8,470</u>	<u>1,060</u>	<u>-</u>	<u>9,530</u>
Subtotal	<u>459,344</u>	<u>45,681</u>	<u>34,920</u>	<u>470,105</u>
Net capital assets being depreciated	<u>400,112</u>			<u>501,458</u>
Net capital assets	<u>\$ 744,987</u>			<u>\$ 807,383</u>

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 5 - CAPITAL ASSETS - Continued

	Balance April 1, 2007	Additions	Disposals/ Transfers	Balance March 31, 2008
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 190,950	\$ -	\$ -	\$ 190,950
Capital assets, being depreciated:				
Sewage disposal system	4,988,165	25,024	-	5,013,189
Water supply system	<u>340,132</u>	<u>-</u>	<u>-</u>	<u>340,132</u>
Subtotal	5,328,297	25,024	-	5,353,321
Accumulated depreciation				
Sewage disposal system	1,183,233	126,800	-	1,310,033
Water supply system	<u>261,806</u>	<u>25,000</u>	<u>-</u>	<u>286,806</u>
Subtotal	<u>1,445,039</u>	<u>151,800</u>	<u>-</u>	<u>1,596,839</u>
Net capital assets being depreciated	<u>3,883,258</u>			<u>3,756,482</u>
Net capital assets	<u>\$ 4,074,208</u>			<u>\$ 3,947,432</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 8,080
Public safety	6,026
Public works	25,924
Recreation	<u>5,651</u>

Total \$ 45,681

Business-type activities:

Sanitary Sewer	\$ 126,800
Water	<u>25,000</u>

Total \$ 151,800

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 5 - CAPITAL ASSETS - Continued

Component Unit:

Capital assets activity for the year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
<u>Component Unit</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 36,265	\$ -	\$ -	\$ 36,265
Construction in process	-	364,240	-	364,240
Subtotal	-	364,240	-	400,505
Capital assets, being depreciated:				
Land improvements	741,071	-	-	741,071
Buildings and improvements	84,942	10,000	-	94,942
Machinery and equipment	43,706	-	-	43,706
Subtotal	869,719	10,000	-	879,719
Accumulated depreciation				
Land improvements	12,351	24,702	-	37,053
Buildings and improvements	2,831	6,330	-	9,161
Machinery and equipment	17,320	6,244	-	23,564
Subtotal	32,502	37,276	-	69,778
Net capital assets being depreciated	837,217			809,941
Net capital assets	\$ 873,482			\$ 1,210,446

Depreciation expense was charged to functions/programs of the Component Unit as follows:

Governmental activities:

Economic development	\$ 37,276
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VILLAGE OF MENDON

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 6 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Current Portion
Business-Type Activities					
Special assessment bonds	\$ 1,455,000	\$ -	\$ 75,000	\$ 1,380,000	\$ 75,000
General obligation bonds	500,000	-	15,000	485,000	15,000
Revenue bonds	<u>48,000</u>	<u>-</u>	<u>7,000</u>	<u>41,000</u>	<u>7,000</u>
Totals	<u>\$ 2,003,000</u>	<u>\$ -</u>	<u>\$ 97,000</u>	<u>\$ 1,906,000</u>	<u>\$ 97,000</u>

Long-term debt payables at March 31, 2008, consisted of the following individual issues:

Business-Type Activities

1996 Sewage Disposal System Special Assessment Bonds payable in annual installments of \$75,000 to \$50,000 through October 1, 2025; interest at 4.875%, payable semiannually	\$ 1,380,000
1996 Sewage Disposal System General Obligation Bonds payable in annual installments of \$10,000 to \$40,000 through October 1, 2025; interest at 4.875%, payable semiannually	485,000
1974 Water Supply System Revenue Bonds payable in annual installments of \$1,000 to \$9,000 through January 1, 2013; interest at 5.0%, payable semiannually	<u>41,000</u>
Total	<u>\$ 1,906,000</u>

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 6 - LONG-TERM DEBT - Continued

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2008 including both principal and interest, are as follows:

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 97,000	\$ 92,940	\$ 189,940
2010	97,000	88,235	185,235
2011	97,000	83,530	180,530
2012	97,000	78,825	175,825
2013	97,000	73,735	170,735
2014-2018	481,000	215,050	696,050
2019-2023	450,000	201,195	651,195
2024-2026	<u>490,000</u>	<u>42,865</u>	<u>532,865</u>
Total	<u>\$ 1,906,000</u>	<u>\$ 876,375</u>	<u>\$ 2,782,375</u>

Component Unit:

Following is a summary of debt transactions for the year ended March 31, 2008:

	Balance April 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance March 31, <u>2008</u>
Bank note payable	<u>\$ 342,775</u>	<u>\$ -</u>	<u>\$ 121,004</u>	<u>\$ 221,771</u>

Long-term debt payable at March 31, 2008, consisted of the following individual issues:

Note payable to bank at interest rate of 3.55%, monthly payment of principle and interest of \$10,949, final payment due December 15, 2010, secured by real estate	<u>\$ 221,771</u>
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VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 6 - LONG-TERM DEBT - Continued

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2008 including both principal and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 123,788	\$ 7,600	\$ 131,388
2010	<u>97,983</u>	<u>1,500</u>	<u>99,483</u>
Total	<u>\$ 221,771</u>	<u>\$ 9,100</u>	<u>\$ 230,871</u>

NOTE 7 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Village management and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Village were adopted on a fund level basis.

During the year ended March 31, 2008, the Village incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MENDON

REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes	\$ 180,000	\$ 180,000	\$ 170,930	\$ (9,070)
Licenses and permits	8,030	8,030	11,021	2,991
State grants	78,000	78,000	78,186	186
Charges for services	32,000	32,000	31,973	(27)
Fines and forfeitures	2,550	2,550	3,468	918
Rent	61,800	61,800	87,623	25,823
Interest	12,000	12,000	17,461	5,461
Sale of assets	25,000	25,000	39,588	14,588
Other	<u>18,670</u>	<u>18,670</u>	<u>26,570</u>	<u>7,900</u>
Total revenues	418,050	418,050	466,820	48,770
EXPENDITURES				
Legislative	14,450	15,450	15,084	366
General government	116,005	121,505	121,120	385
Public safety	125,800	133,800	133,541	259
Public works	93,500	108,500	106,833	1,667
Recreation	3,875	3,875	3,435	440
Capital outlay	<u>-</u>	<u>55,000</u>	<u>53,875</u>	<u>1,125</u>
Total expenditures	<u>353,630</u>	<u>438,130</u>	<u>433,888</u>	<u>4,242</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	64,420	(20,080)	32,932	53,012
OTHER FINANCING (USES) Transfers to other funds	<u>(25,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES	39,420	(35,080)	17,932	53,012
FUND BALANCE - Beginning of year	<u>320,374</u>	<u>320,374</u>	<u>320,374</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 359,794</u>	<u>\$ 285,294</u>	<u>\$ 338,306</u>	<u>\$ 53,012</u>

VILLAGE OF MENDON

REQUIRED SUPPLEMENTAL INFORMATION
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2008

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
REVENUE				
State grants	\$ 69,500	\$ 69,500	\$ 59,327	\$ (10,173)
Interest	5,500	5,500	7,244	1,744
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	75,000	75,000	66,571	(8,429)
EXPENDITURES				
Public works	<u>63,425</u>	<u>103,425</u>	<u>101,916</u>	<u>1,509</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	11,575	(28,425)	(35,345)	(6,920)
OTHER FINANCING (USES)				
Transfer to other funds	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES	1,575	(38,425)	(45,345)	(6,920)
FUND BALANCE - BEGINNING OF YEAR	<u>174,770</u>	<u>174,770</u>	<u>174,770</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 176,345</u>	<u>\$ 136,345</u>	<u>\$ 129,425</u>	<u>\$ (6,920)</u>

VILLAGE OF MENDON

REQUIRED SUPPLEMENTAL INFORMATION
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
REVENUE				
State grants	\$ 21,000	\$ 21,000	\$ 21,982	\$ 982
Interest	1,500	1,500	267	(1,233)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	22,500	22,500	22,249	(251)
EXPENDITURES				
Public works	<u>28,900</u>	<u>36,900</u>	<u>34,928</u>	<u>1,972</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(6,400)	(14,400)	(12,679)	1,721
OTHER FINANCING SOURCES				
Transfers from other funds	<u>15,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	8,600	(4,400)	(2,679)	1,721
FUND BALANCE - BEGINNING OF YEAR	<u>9,253</u>	<u>9,253</u>	<u>9,253</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,853</u>	<u>\$ 4,853</u>	<u>\$ 6,574</u>	<u>\$ 1,721</u>

VILLAGE OF MENDON

REQUIRED SUPPLEMENTAL INFORMATION
VEHICLE SINKING FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
REVENUE				
Interest	\$ 400	\$ 400	\$ 357	\$ (43)
Sale of assets	5,000	7,500	7,985	485
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	5,400	7,900	8,342	442
EXPENDITURES				
Capital outlay	<u>20,000</u>	<u>33,000</u>	<u>32,672</u>	<u>328</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(14,600)	(25,100)	(24,330)	770
OTHER FINANCING SOURCES				
Transfer from other fund	<u>20,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	5,400	(10,100)	(9,330)	770
FUND BALANCE - BEGINNING OF YEAR	<u>12,309</u>	<u>12,309</u>	<u>12,309</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,709</u>	<u>\$ 2,209</u>	<u>\$ 2,979</u>	<u>\$ 770</u>



Norman & Paulsen, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL
STATEMENTS PERFORMED IN OF ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Village Council
Village of Mendon

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Mendon as of and for the year ended March 31, 2008, which collectively comprise Village of Mendon's basic financial statements and have issued our report thereon dated July 7, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Village of Mendon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village of Mendon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Mendon's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

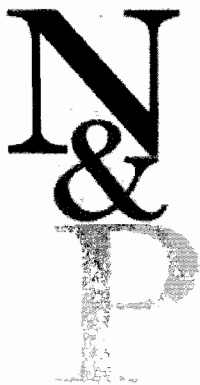
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Village of Mendon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Village Council, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

July 7, 2008



Norman & Paulsen, P.C.

Certified Public Accountants

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REQUIRED COMMUNICATION TO THE VILLAGE OF MENDON IN ACCORDANCE WITH PROFESSIONAL STANDARDS

July 7, 2008

To the Village Council
Village of Mendon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Mendon for the year ended March 31, 2008, and have issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Mendon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 7, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Norman i Paulson, P.C.